

**Testimony Presented to the
Finance, Revenue and Bonding Committee of the Connecticut General Assembly**

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**S.B. No. 5
An Act Establishing a Surcharge on the Manufacture and Distribution of Opioids and
Funding for Opioid Abuse Prevention and Treatment**

Good afternoon Senator Fonfara, Representative Berger, Senator Leone, Representative Lemar, Senator Frantz, Representative Davis, members of the Finance, Revenue and Bonding Committee.

I'm Paul Pescatello, Senior Counsel and Executive Director of the Connecticut Bioscience Growth Council.

I am also President/CEO of the New England Biotechnology Association and Chair of We Work for Health Connecticut.

The Connecticut Bioscience Growth Council is a committee of the Connecticut Business and Industry Association's biotech and biopharma members.

The Bioscience Growth Council was formed as a means to foster collaboration both among Connecticut biotech and biopharma companies themselves and, just as importantly, *with* our state. As you know, Connecticut – *this* General Assembly – has chosen wisely to invest in the life sciences as a foundation for Connecticut's 21st century economy and as a means to create a broad spectrum of jobs.

Last month's ribbon cutting for Alexion Pharmaceutical's world headquarters in New Haven – with labs and offices for over 1,000 employees – the strides we have made in regenerative medicine and stem cell research, and the research and economic development already being accomplished by Jackson Labs, name only a few of the dividends generated by this Connecticut investment.

I am here today to speak in opposition to Senate Bill No. 5, An Act Establishing a Surcharge on the Manufacture and Distribution of Opioids and Funding for Opioid Abuse Prevention and Treatment.

Our opposition is based on the bill's regulatory complexity, the unfortunate precedent it would establish and the harmful effect it would have on Connecticut's economy and the state's economic development efforts.

S.B. 5 would levy a tax on manufacturers and wholesalers of opioid medicines sold to a variety of parties including pharmacies, pharmacists, medical doctors, dentists, veterinarians, and certain hospital, laboratory, college and scientific personnel. This legislation would exempt, or provide for a taxation refund mechanism, medicines purchased through Medicare and other federal programs that are exempt from (and essentially bar state) taxation.

The distribution pathway from manufacturers through wholesalers often involves multiple states. Thus, when the distribution process begins, the manufacturer often does not and cannot know where – which state – the medicine will be delivered. Further, the manufacturer cannot know from whom a patient will receive an opioid medicine (e.g., primary care doctor or hospital) or if the patient is a Medicare Part D beneficiary.

This distribution labyrinth means that tracking opioid medicines to determine the state where they were prescribed and the status of the patient – exempt or non-exempt from taxation – is nearly impossible and, in any event, would be costly.

Senate Bill No. 5's "surcharge" of 6.35% would create a regrettable precedent, singling out one product and one industry for special taxation. It raises concern on the part of Connecticut businesses generally that other products and industries could, as well, be selected for additional and special state taxation.

It is important to note too that, at the federal level, the biopharma industry pays an array of taxes and rebates under Medicaid, the Affordable Care Act and Medicare Part D.

As this Committee knows only too well, Connecticut faces an unprecedented set of fiscal problems and economic development challenges. Laudably, we are all working to find ways to put our fiscal house into long-term order without increasing taxes or adding additional layers of taxation.

We need to become known as a state of less regulatory complexity – not as S.B. 5 would do, of more regulatory complexity. Businesses, consumers and patients consistently cry out that what Connecticut needs are lower, not higher, taxes and fewer, and not more, taxes.

We often discuss "lockboxes" and the like for various revenue streams. There is much skepticism that a new tax, such as the tax created by S.B. 5, would reliably and consistently be fully directed toward its stated aim of addiction treatment and not be redirected to other purposes, including balancing the state budget.

Finally, I want to underscore and validate how serious a problem addiction is.

Addiction is really a complex set of problems, sometimes involving prescription opioids and often involving illegal opiates (e.g., heroin). But it is unclear that there are effective addiction treatment programs unable to treat patients but for additional sources of revenue. And S.B. 5 targets opioid manufacturers and patients for taxation but does not look for revenue to those who illegally entice and sell opioids and opiates. As I believe has been suggested before, law enforcement drug seizure proceeds could be a more just source of revenue to direct toward treatment programs.

In closing, it is important to understand how diligently the biopharma industry worked to combat addiction. The industry has invested billions of dollars in R&D and developed a new class of opiates that are highly effective in deterring abuse.

It is counterproductive to add confusion and complexity to the distribution channels of this important Connecticut industry, send precisely the kind of message we are working to avoid – that we are a state of increasing tax rates, of specialty taxes and new layers of taxation – and ask patients already burdened with increasing healthcare costs, directly or indirectly, to shoulder yet another Connecticut tax.

I would be happy to answer any questions you may have or expand upon any points made in my testimony.

Thank you.